

SENATE TAX

Exhibit No. 10

Date 3-19-2015

Bill No. HB 411

NORTHERN MONTANA OIL & GAS ASSOCIATION

HOUSE BILL NO. 411

Sponsor: Representative Tom Richmond

Senate Taxation

Bruce Tutvedt, Chair

Fred Thomas, Vice Chair

Duane Ankeny

Dick Barrett

Mark Blasdel

Taylor Brown

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Brian Hoven

Christine Kaufmann

Sue Malek

JP Pomnichowski

Janna Taylor

Thursday, March 19, 2015

Stripper Oil Well Economics

1 Barrel Per Day Well:

1 bbls x 335 days =	335
Average Price Per Barrel:	\$30.00
Annual Revenue:	
335 bbls @ \$30.00/bbl:	10,050.00
Less Royalty Expense:	
12.5% Royalty	(1,256.25)
Less Production Taxes (0.0926	(550.49)
Less Operating Expenses:	
Electricity	(1,200.00)
Chemical	(1,200.00)
Field Labor	(3,600.00)
"Rope, Dope & Soap"	(1,200.00)
Service Rig	(3,500.00)
BHP Repairs	(800.00)
Net Revenue	(3,256.74)

LEASE RUN STATEMENT

59715
3000275

Mo/Day	Ticket #	Ent	Tank #	Gravity	Price	Net Barrels	Gross Value
2/21	108150091	1	300031	30.8	36.9770	243.500	9,003.90
						243.5000	
		Gross Value		Total Taxes		Net Value	
February 2015		9,003.90		0.00		9,003.90	

1 - REGULAR TICKET
2 - ESTIMATED TICKET

Close Date	Price per 42-gallon Barrel	Published Consecutive Days Toward Higher Threshold	Within Threshold Percent Applied	Published Consecutive Days Toward Lower Threshold
03/17/15	\$43.46		12%	20
03/16/15	\$43.88		12%	19
03/13/15	\$44.84		12%	18
03/12/15	\$47.05		12%	17
03/11/15	\$48.17		12%	16
03/10/15	\$48.29		12%	15
03/09/15	\$50.00		12%	14
03/06/15	\$49.61		12%	13
03/05/15	\$50.76		12%	12
03/04/15	\$51.53		12%	11
03/03/15	\$50.52		12%	10
03/02/15	\$49.59		12%	9
02/27/15	\$49.76		12%	8
02/26/15	\$48.17		12%	7
02/25/15	\$50.99		12%	6
02/24/15	\$49.28		12%	5
02/23/15	\$49.45		12%	4
02/20/15	\$50.34		12%	3
02/19/15	\$51.16		12%	2
02/18/15	\$52.14		12%	1
02/17/15	\$53.53		12%	
02/16/15	No Report	Markets Closed	President's Day	
02/13/15	\$52.78		12%	8
02/12/15	\$51.21		12%	7
02/11/15	\$48.84		12%	6
02/10/15	\$50.02		12%	5
02/09/15	\$52.86		12%	4
02/06/15	\$51.69		12%	3
02/05/15	\$50.48		12%	2
02/04/15	\$48.45		12%	1
02/03/15	\$53.05		12%	
02/02/15	\$49.57		12%	21
01/30/15	\$48.24		12%	20
01/29/15	\$44.53		12%	19
01/28/15	\$44.45		12%	18
01/27/15	\$46.23		14%	30
01/26/15	\$45.15		14%	29
01/23/15	\$45.59		16%	30

1 HOUSE BILL NO. 411

2 INTRODUCED BY T. RICHMOND, M. NOLAND, R. RIPLEY, S. STAFFANSON

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE PRICE OF A BARREL OF CRUDE OIL IN
5 RELATION TO THE IMPOSITION OF PRODUCTION TAX RATES; ~~AND~~ AMENDING SECTION 15-36-304,
6 MCA; AND PROVIDING AN EFFECTIVE DATE."

7
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

9
10 **Section 1.** Section 15-36-304, MCA, is amended to read:

11 **"15-36-304. Production tax rates imposed on oil and natural gas -- exemption.** (1) The production
12 of oil and natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-331 and
13 15-36-332.

14 (2) Natural gas is taxed on the gross taxable value of production based on the type of well and type of
15 production according to the following schedule for working interest and nonworking interest owners:

	Working	Nonworking
	Interest	Interest
18 (a) (i) first 12 months of qualifying production	0.5%	14.8%
19 (ii) after 12 months:		
20 (A) pre-1999 wells	14.8%	14.8%
21 (B) post-1999 wells	9%	14.8%
22 (b) stripper natural gas pre-1999 wells	11%	14.8%
23 (c) horizontally completed well production:		
24 (i) first 18 months of qualifying production	0.5%	14.8%
25 (ii) after 18 months	9%	14.8%

26 (3) The reduced tax rates under subsection (2)(a)(i) on production for the first 12 months of natural gas
27 production from a well begins following the last day of the calendar month immediately preceding the month in
28 which natural gas is placed in a natural gas distribution system, provided that notification has been given to the
29 department.

30 (4) The reduced tax rate under subsection (2)(c)(i) on production from a horizontally completed well for

1 the first 18 months of production begins following the last day of the calendar month immediately preceding the
 2 month in which natural gas is placed in a natural gas distribution system, provided that notification has been given
 3 to the department.

4 (5) Oil is taxed on the gross taxable value of production based on the type of well and type of production
 5 according to the following schedule for working interest and nonworking interest owners:

	Working	Nonworking
	Interest	Interest
6 (a) primary recovery production:		
7 (i) first 12 months of qualifying production	0.5%	14.8%
8 (ii) after 12 months:		
9 (A) pre-1999 wells	12.5%	14.8%
10 (B) post-1999 wells	9%	14.8%
11 (b) stripper oil production:		
12 (i) first 1 through 10 barrels a day production	5.5%	14.8%
13 (ii) more than 10 barrels a day production	9.0%	14.8%
14 (c) (i) stripper well exemption production	0.5%	14.8%
15 (ii) stripper well bonus production	6.0%	14.8%
16 (d) horizontally completed well production:		
17 (i) first 18 months of qualifying production	0.5%	14.8%
18 (ii) after 18 months:		
19 (A) pre-1999 wells	12.5%	14.8%
20 (B) post-1999 wells	9%	14.8%
21 (e) incremental production:		
22 (i) new or expanded secondary recovery production	8.5%	14.8%
23 (ii) new or expanded tertiary production	5.8%	14.8%
24 (f) horizontally recompleted well:		
25 (i) first 18 months	5.5%	14.8%
26 (ii) after 18 months:		
27 (A) pre-1999 wells	12.5%	14.8%
28 (B) post-1999 wells	9%	14.8%

1 (6) (a) The reduced tax rates under subsection (5)(a)(i) for the first 12 months of oil production from a
2 well begins following the last day of the calendar month immediately preceding the month in which oil is pumped
3 or flows, provided that notification has been given to the department.

4 (b) (i) The reduced tax rates under subsection (5)(d)(i) on oil production from a horizontally completed
5 well for the first 18 months of production begins following the last day of the calendar month immediately
6 preceding the month in which oil is pumped or flows if the well has been certified as a horizontally completed well
7 to the department by the board.

8 (ii) The reduced tax rate under subsection (5)(f)(i) on oil production from a horizontally recompleted well
9 for the first 18 months of production begins following the last day of the calendar month immediately preceding
10 the month in which oil is pumped or flows if the well has been certified as a horizontally recompleted well to the
11 department by the board.

12 (c) Incremental production is taxed as provided in subsection (5)(e) only if the average price for each
13 barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter
14 is less than \$30 a barrel. If the price of oil is equal to or greater than \$30 a barrel in a calendar quarter as
15 determined in subsection (6)(e), then incremental production from pre-1999 wells and from post-1999 wells is
16 taxed at the rate imposed on primary recovery production under subsections (5)(a)(ii)(A) and (5)(a)(ii)(B),
17 respectively, for production occurring in that quarter, other than exempt stripper well production.

18 (d) (i) Stripper well exemption production is taxed as provided in subsection (5)(c)(i) only if the average
19 price for a barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a
20 calendar quarter is less than ~~\$38~~ \$54 a barrel. If the price of oil is equal to or greater than ~~\$38~~ \$54 a barrel, there
21 is no stripper well exemption tax rate and oil produced from a well that produces 3 barrels a day or less is taxed
22 as stripper well bonus production.

23 (ii) Stripper well bonus production is subject to taxation as provided in subsection (5)(c)(ii) only if the
24 average price for a barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during
25 a calendar quarter is equal to or greater than ~~\$38~~ \$54 a barrel.

26 (e) For the purposes of subsections (6)(c) and (6)(d), the average price for each barrel must be
27 computed by dividing the sum of the daily price for west Texas intermediate crude oil as reported in the Wall
28 Street Journal for the calendar quarter by the number of days on which the price was reported in the quarter.

29 (7) (a) The tax rates imposed under subsections (2) and (5) on working interest owners and nonworking
30 interest owners must be adjusted to include the total of the privilege and license tax adopted by the board of oil

1 and gas conservation pursuant to 82-11-131 and the derived rate for the oil and gas natural resource distribution
2 account as determined under subsection (7)(b).

3 (b) The total of the privilege and license tax and the tax for the oil and gas natural resource distribution
4 account established in 90-6-1001(1) may not exceed 0.3%. The base rate for the tax for oil and gas natural
5 resource distribution account funding is 0.08%, but when the rate adopted pursuant to 82-11-131 by the board
6 of oil and gas conservation for the privilege and license tax:

7 (i) exceeds 0.22%, the rate for the tax to fund the oil and gas natural resource distribution account is
8 equal to the difference between the rate adopted by the board of oil and gas conservation and 0.3%; or

9 (ii) is less than 0.18%, the rate for the tax to fund the oil and gas natural resource distribution account
10 is equal to the difference between the rate adopted by the board of oil and gas conservation and 0.26%.

11 (c) The board of oil and gas conservation shall give the department at least 90 days' notice of any
12 change in the rate adopted by the board. Any rate change of the tax to fund the oil and gas natural resource
13 distribution account is effective at the same time that the board of oil and gas conservation rate is effective.

14 (8) Any interest in production owned by the state or a local government is exempt from taxation under
15 this section."

16

17 NEW SECTION. SECTION 2. EFFECTIVE DATE. [THIS ACT] IS EFFECTIVE JULY 1, 2015.

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- END -